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Currency and the home trade

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National Currency Reform Association.

Office, No. 4, *Beaufort Buildings, Strand, London,*

(Opposite Exeter Hall).

TRACT, No. V.

CURRENCY AND THE HOME TRADE.

ALL trade resolves itself into an exchange of equivalents; and currency is the medium through which that equivalency is expressed in a moneyed denomination.

Currency is the substitute of barter, the distributive instrument by which commodities are circulated. As barter was abandoned because it obstructed the facilities of interchanging commodities, it is evidently unwise to adopt any system of currency which creates the inconveniences or evils which currency was invented to obviate. A gold currency which the legislature requires to be of a specific weight, and which ceases to be legal tender if a grain of that weight be wanting, is in fact an instrument of barter, not an instrument of currency. This fundamental objection to metallic money, applies with equal force to any and every kind of money fabricated out of any commodity possessing intrinsic value; whence it follows that the essential requisite of money is the complete absence of intrinsic value. Money, therefore, rightly understood, is the sign, not the thing signified; the symbol of the reality, not the reality itself; a representative of value, not value itself, deriving all its purchasing power from the authority by which it is issued.

It is also requisite to a sound currency, that it should be expansive in its character. Adam Smith compares money to a "highway, which while it circulates and carries to market all the grass and corn of the country, produces itself not a pile of either". As the highways which sufficed to carry on the traffic of this country in the age of the Tudors or Stuarts would be altogether inadequate to the wants and necessities of the epoch in

which we live, so also the money which might have suited the times of Elizabeth or her immediate successors, must prove incommensurate with the trade and commerce of the reign of Victoria. We widen old roads and construct new, and replace the stage coach by the railway; but with strange inconsistency retain a metallic currency which is inexpansive, and can never multiply in any due proportion to the vastly increasing mass of commodities which it is the function of money to circulate.*

So far we have spoken of money, strictly and exclusively as an instrument of distribution in connection with Trade. But when taxes in kind are commuted into taxes in money, and when the revenue is raised by CUSTOMS and EXCISE and by other indirect processes, then it becomes an essential quality in money that its purchasing power should fall as indirect taxation is increased, and rise as indirect taxation is reduced. This important quality in money is here only indicated, as it will more appropriately receive a fuller explanation in a subsequent part of this TRACT.

In the order of industrial operations, LABOUR precedes TRADE, since it is obvious that commodities must be produced before they can be exchanged.

The *natural* limit to production is either a deficiency of raw materials, or a deficiency of labour capable of converting those raw materials into articles of utility or desire. The *artificial* limit to production is a restricted currency, by which the interchange and circulation of commodities is checked or wholly arrested; because industry ceases to produce when the markets of consumption are closed.

Demand is either natural or mercantile. The exponent and measure of *natural* demand is to be found in the appetites and desires implanted in humanity. The exponent or measure of *mercantile* demand is to be found in the amount of monetary instruments in which the equivalency of exchanges is expressed.

It is easy to imagine one side of Oxford Street an extended granary full of corn, and the other side an extended warehouse full of clothing. This would be evidence of productive power having been efficiently

* Historical evidence of this proposition will be found in Tract 2.

employed. But, under these circumstances, Oxford Street might be crowded with men, women, and children, hungry and naked; and, from a failure of distributive power, the granary and the warehouse would remain in a state of glut. The natural demand of the people to consume, measured in their appetites and desires, would remain in full force, though the mercantile demand, measured in monetary instruments, would be null. Now there is no industrial problem more important to be solved than that which would demonstrate how the mercantile demand could always be kept equal to the natural demand; nor is the solution difficult, if men would shake off the prejudices entertained on the nature and use of money.

As labour is the admitted source of all wealth, the constant employment of the industrious classes at remunerating wages is the *first* necessity to them and to the STATE of which they are citizens. Employment is a necessity prior even to the necessity of food, clothing and lodging, since these are the products of labour, and their supply must cease, if labour be suspended. If wages are not remunerative, the mercantile demand for commodities must fall short of the natural demand, and when this happens, TRADE languishes, because production must be checked.

Among the most pernicious of current fallacies are those of OVER-TRADING and OVER-PRODUCTION. The words have become so familiar that few pause to investigate their real import, but accept them as conveying the sense of a foregone conclusion. What, we ask, is the precise significancy of the preposition "over" prefixed to the words "trading" and "production?" None object to trading and production, but to the excess of the operations, implied in the word "over." But "over" is evidently a term of relation; to what then is it related? Does it relate to natural demand measured in the desires and appetites implanted in humanity? Clearly not; for those desires and appetites remain unsatisfied, the great body of the people still wanting food, clothing, and lodging; to them, therefore, the term OVER-production cannot apply, unless we are prepared to affirm that they *ought* to be starved, ragged, and houseless. We are there-

fore driven to the only other alternative, and must refer the term "over" to mercantile demand. But the measure of mercantile demand consists in the amount of monetary instruments in which the equivalency of exchanges is expressed: consequently it follows, that the term "over" really means that the supply of commodities is in excess of the supply of currency, so that an *apparent over*-production of the necessaries and comforts of human existence is confounded with a real *under*-production of money. Under these mistaken views of TRADE, a full market is made to depend on the presence or absence of a single commodity—of gold—the desires and appetites of humanity being altogether excluded from consideration; for, if gold is not forthcoming, then it is said, a case of overproduction is established.

As the annual labour of every country is the source of its annual production, so also would the labouring classes become the chief source of its annual consumption, if a proper system of distribution enabled them to gratify their natural desires and appetites. But the power of their annual consumption depends on the amount of their annual income; and as this is wholly derived from wages, the amount of their wages will measure the amount of their consumption; and this again will determine the extent of their influence in promoting the activity of trade. Two shillings a-week added to the wages of six millions of working men, would yield an addition to their aggregate income of £31,000,000, and would, of course, invigorate markets by its expenditure; a similar reduction would proportionately depress markets. The constant employment of labour, therefore, and the circulation of remunerating wages, are among the most essential elements of prosperous TRADE, since whatever stimulates consumption animates production, and enlarges the sphere of exchanges. The desires and appetites, the wants and necessities of the inhabitants of a country, create its market, and legislation can only increase those markets by securing the constant employment and facilitating the expenditure of the population. If wages cannot rise to a remunerating level in metallic money, that does not prove the wisdom of limiting production or consumption, but demonstrates the folly of using metallic

money; for gold was not designed to be the master, but the servant of industry.

Liberty is favourable to production; therefore, whatever restrains production is an unwise policy. TRADE, therefore, ought to be perfectly free, but so also ought the instruments by which trade is carried on. Were Parliament to enact a law permitting ships to be constructed of any tonnage or draught of water, and at the same time enact another law limiting the depth of water into which ships might be launched, it is plain that the two laws would be antagonistic, and that the construction of a larger class of ships would be prohibited; but not less absurd is it to proclaim the principle of free trade as a rule of conduct, and prevent that principle being carried into operation, by limiting the monetary instrument of exchange; for the circulating medium of currency bears the same relation to the distribution of commodities in the markets of exchange, as the floating medium of water does to the navigation of ships. Withdraw currency, trade stagnates; withdraw water, the ship is stranded. Therefore, free trade in commodities, without free trade in money, is fallacious in theory and a contradiction in practice.

FREE TRADE evidently implies more trade than can be realised under a system of protection, or recent debates in Parliament must have been an idle war of words. But it has been shown that TRADE can only be carried on by the aid of currency, unless we return to barter; more trade, therefore, requires more currency. Nevertheless, Sir Robert Peel, Lord John Russell, and Mr. Cobden, the champions of FREE TRADE, all insist that the trading and commercial classes shall only use a stringently limited number of monetary instruments, while they promise those classes a prodigious augmentation of business. These gentlemen commit the mistake of willing the end and refusing the means. What judgment would the shareholders of a RAILWAY pronounce on the sagacity of their Directors, who, having published in their Report a confident assurance of increased traffic, refused to increase the number of their carriages, wagons, or locomotives. Yet such Directors would not be more foolish than those advocates of free and more trade, who

persist in the use of metallic money, which is inexpansive in its nature.

The doctrine of Free Trade has given great popularity to the doctrine of Cheapness; but Cheapness admits of two very different interpretations. Much money for little labour is a cheapness that would prove highly advantageous to the working classes, who live on wages or profits. On the contrary, much labour for little money is a cheapness highly advantageous to all who live on fixed incomes, or who traffic in usury. When the employed classes seek for wages, they are sellers of labour and buyers of money; whereas the employing classes are buyers of labour and sellers of money. Trade resolves itself into an exchange of equivalents; therefore, the labour given for the money, and the money given for the labour, *ought* to be equivalents; if the one be cheaper than the other, the definition of trade is violated, and the bargain is fraudulent and over-reaching. For buying and selling are component parts of one and the same operation; and if both parties are honest, and not under any restraint, neither can take advantage of the other. The pittance which hunger accepts, lest the recipient starves and dies is not cheapness, but despotic robbery, which, in the guise of wages, seeks to conceal the horrors of industrial serfdom.*

> Was man ordained the slave of man to toil,
> Yok'd with the beasts and fetter'd to the soil?
> Weigh'd in the tyrant's balance with his gold?
> No; Nature stamp'd him in a heavenly mould.
> She bade no wretch his thankless labour urge,
> Nor trembling take the pittance and the scourge.

* In Ireland, distress is greatest when provisions are cheapest; then we see famine without dearth; hunger amidst superabundance of provisions; farmers without a market; labourers without the means of purchase. It was the fall of prices in which famine originated; that fall prevented the tenant from paying his rent; then came the inferior landlord, bound by contract to the superior landlord, and consequently unable to make any abatement. The ground landlord himself, bound by debts and engagements, all founded on a state of high rents and high prices, is equally unable to consent to a reduction. The miserable stock of the miserable tenantry is seized; then the labourer is left destitute without employment, and then ensues a scene of famine and despair, of tumult and bloodshed, only suppressed by military force.—Extracted from the Speech of Mr. Attwood on the Evidence given by Mr. Nolan on the state of Ireland, before the Agricultural Committee of 1822.

The cheapness which results from an economy of labour is a blessing; but the cheapness which results from a Parliamentary contraction of currency is a curse. Produce is the result of labour, and currency is the representative of produce: limit currency, and the equation between produce and its representative is violently disturbed. Produce can no longer adequately express itself in a moneyed denomination; and it becomes the slave of capital accumulated, whose representative is coined bullion. Thus a single privileged commodity, the aristocrat of the MINT, becomes the imperious master of all other commodities, and the tyrant of TRADE; more arbitrary than any tariff, more coercive than any ORDER in COUNCIL recorded in history; for it is obvious that where cheapness arises from a restricted metallic currency, it really means the depreciation of labour and the appreciation of gold.

A very deceptive view is taken of mere moneyed cheapness, if dissociated from the question of employment. The working man is more interested in the certainty of an annual income, than in the precarious estimate of a week's wages. His object is to secure an annual engagement, not an occasional job. But whether he obtains the one or the other must greatly depend on the position and prospects of the employing classes. If the profits on TRADE are high and steady, the working man has the certainty of an annual engagement, unless his personal misconduct causes his dismissal; but if the profits of TRADE are low and unsteady, he can only hope for an occasional job, if even he have any employment. The very condition, therefore, of high wages and constant work is a general high range of prices affecting all commodities, since high wages cannot for any continuance be paid out of low profits. To suppose that wages, which are paid for creating produce, can be sustained at a high scale, when the produce is sold at a low scale, is to suppose that a vessel can always be kept full, while more water is drawn off than is poured into it.

The principle of FREE TRADE is found to be impracticable in a country which raises its revenue by indirect taxation and uses metallic money. The principle, indeed, is loudly proclaimed in Parliament, but most

unceremoniously violated in its statutes. The Excise Laws repudiate liberty of production, and, in many cases, prescribe a formula of industrial operations, which forbids experiment and neutralises the discoveries of chemical science. The same Government, which has appointed SANITARY COMMISSIONS to report on the HEALTH OF TOWNS, rejects the advice tendered by its own trustworthy officials, taxing the admission of light into dwelling-houses and the wholesome circulation of pure air. National education is earnestly recommended; and to keep the people in ignorance, taxes are placed on all the materials and instruments through which knowledge can be conveyed. To make our practice still more repugnant to our philosophy, we put excessive fiscal imposts on those foreign articles which our soil and climate cannot produce, as tea and wine, while we give free entrance to those foreign articles, as hats and shoes, gloves and silks, which our working classes could live by producing. The doctrine of FREE TRADE, therefore, both as practically repudiated and practically enforced by modern legislation, is so incongruous and arbitrary, as to become a mere burlesque of principle and reasoning. The Chancellor of the Exchequer announces in Parliament that he is a FREE TRADER; he is asked to prove his sincerity by abolishing Customs and Excise; he refuses, lest he should be compelled to break faith with the public creditor, and thus confesses that he is the apostle of an impracticable creed. Like the waterman in the Thames wherry, he looks in one direction and pulls towards the opposite.

"That the whole world as to TRADE is but as one nation, and therein nations are as persons," is a doctrine long since contended for by Sir Dudley North. He, happily for himself, lived in an age when national indebtedness and indirect taxation formed no part of financial studies, or he would have qualified the statement we have quoted. Mr. Macculloch has seen the error, but overlooked the remedy. That eminent writer, noting the effect of taxes on prices, observes that "when a tax is laid on a commodity, *its price necessarily rises* in a corresponding proportion, for otherwise the producer would not obtain the ordinary rate of profit." If Mr. Macculloch had written "its price necessarily *ought to rise* in a corresponding proportion," he would have exactly expressed our own sentiments. Prices can only rise from the barter to the taxation level in a monetary medium which *permits* such a rise, but such a rise metallic money forbids; therefore to give effect to his own principles, Mr. Macculloch ought to abandon bullionism, which falsifies his conclusions, and adopt a paper currency which alone can ensure their being realised.

Value is the expression of labour condensed or embodied in commodities. Equal values therefore express equal quantities of labour; in this restricted sense we agree with Sir Dudley North, "that all the world as to trade is but as one nation, and therein nations are as persons." But as soon as the principle of indirect taxation is introduced for the purposes of revenue, commodities can no longer be sold for their values, as Mr. Macculloch admits; for if they are so sold, the tax becomes a mortgage on labour, and not upon property. Wherever this indirect taxation prevails, the barter price, which is coincident with natural or intrinsic value, must be abandoned, and replaced by a taxation-price, which allows the tax to be added to the value. By this equitable arrangement, the productive classes, who, in the first instance, have advanced the tax to government in the shape of CUSTOMS and EXCISE, are enabled to recover it from the consumers by embodying the tax in the selling price of their commodities. But if one nation is unindebted and raises its revenue by direct taxation, while another nation owes a heavy debt and raises its revenue by indirect taxation, though the former could sell for values, the latter could not; of these then it cannot be said "that the whole world as to trade is but as one nation and therein nations are as persons." For if the former country were permitted to import, duty free, into the latter country the same description of goods which the latter country lived by producing and on which it paid a heavy tax, the competition would be unjust, because unequal in reference to taxation. To rectify this unfairness, the indebted country requires a paper currency capable of expressing taxation, and it can only do so by falling in purchasing power proportionately to the rate of taxation levied in the indebted country.

It has indeed been said that in spite of unequal taxation we in fact do compete, which proves our ability to enter into the contest; and, to show our competency for the struggle, we are reminded of our superior skill, capital, machinery, command over coal and iron, and our geographical position; but the honest and patriotic answer is, that our own industrious classes are entitled to the full benefit of these advantages, nor are we justified in giving them away to foreigners who never pay a farthing of our taxation; still less so when it is notorious that they alone who live upon fixed incomes, reap the fruits of this unjust competition by the depreciation of wages and the fall of profits.

These remarks lead us to inquire into the "THEORY OF TRADE" propounded by Mr. Jones Loyd, which that eminent banker has enunciated in the following terms: —"The history of what we are in the habit of calling the 'state of trade' is an instructive lesson. We find it subject to various conditions which are periodically returning; it revolves apparently in an established cycle. First, we find it in a state of quiescence—next improvement—growing confidence—prosperity—excitement—over-trading—convulsion—pressure—stagnation—distress, ending again in quiescence."

As Mr. Jones Loyd is one of the chief supporters of the present system and the reputed author of the BILL of 1844, which Sir Robert Peel introduced into parliament, this "Theory of Trade" requires a searching investigation. Melancholy would be the prospects of the human race, were it founded in immutable truth. The fabled Sisyphus, condemned to the eternal toil of heaving a stone up a hill only to roll down again at his feet, while an inexorable destiny compelled him for ever and ever to renew his useless efforts, would be the type of human industry. According to this doctrine, labour may climb the mercantile ladder and reach its summit, not however to retain a firm footing on the eminence reached, but to be precipitated to the earth. Prosperity may be touched, not grasped; it eludes the hand, as the water retreated from the parched lips of Tantalus. We may till and sow, and behold the promise of abundance, but the crop vanishes before it can be garnered. Thus doomed to perpetual and unrewarded toil, it is our hard fate to pass our lives,—

Still dropping buckets into empty wells,
And growing old in drawing nothing up.

Surely this is not a law of nature. It appears difficult to understand, if industry guided by intelligence is capable of raising a nation to prosperity, that the same industry improved by its exercise, and the same intelligence matured by experience, should not at least render that state of prosperity permanent? The reasonable presumption indeed would be, that the state of prosperity would become more prosperous, since practice sharpens aptitude, and experience discovers and amends defects. But according to Mr. Jones Loyd, the theory of trade is an exception to this rule; the cycles of prosperity and ruin are inevitable. Before giving our assent to this disheartening doctrine, let us inquire if the evils inherent in the system are not the consequences of legislation; for if they are, then they are remediable. To render the following exposition as clear and intelligible as possible, we must request our readers to bear in mind the distinction already drawn between *value* and *price*.

If the value of a commodity be represented by x, and the commodity is not charged with any taxation, it can be sold for x, giving to the producer the ordinary rate of profit; but if it is charged with a tax, represented by y, then it cannot be sold for less than $x+y$, if the producer is still to receive the ordinary rate of profit. If x equals four, and y equals two, then $x+y$ must equal six, be they pounds, shillings, or pence. By this simple formula, we propose to test Mr. Loyd's theory of trade.

The initial point is quiescence, which we shall designate by x. The culminating point in the ascending scale is prosperity, which we shall denote by $x+y$. The final point in the descending scale is again quiescence, which again we must express by x.

Quiescence, then, is that state in which commodities are sold for the barter price, from which taxation is altogether excluded. In this state, employment is difficult to be obtained, and wages and profits are at the lowest ebb. In this sense, quiescence does not signify an invigorating repose, but a death-like torpor. Improvement denotes that prices have somewhat risen above the barter level, so that the productive classes are enabled to recover

from the consumers a slight proportion of their taxes. Growing confidence shows that a further rise in prices has taken place, that profits and wages have risen, and that additional taxation has been recovered. When we reach prosperity, we have completely attained to the taxation-level, expressed by $x+y$; and the industrious classes are fully employed, and self-sustaining. We now tread on the slopes of the declivity, and enter upon the descending scale. Excitement may denote the giddiness felt at standing on the summit of the ascent; and over-trading, the slipping of the feet. Some disturbing power, hereafter to be explained, has commenced to drag prices down. Terror seizes the holders of commodities, who all, simultaneously, become sellers, lest prices should still further decline; and convulsion agitates the markets. Terror spreads in all directions, and is aggravated into panic. None will buy, and we arrive at Stagnation. Pressure follows, and drives the merchant, the manufacturer, and the tradesman into the Gazette. We now, having travelled through the cycle, reach the final point in the descending scale—quiescence—denoted by x, where taxation can no longer be added to prices; and we sink down to the barter-level. Such, according to Mr. Loyd, is the circle in which trade is *compelled* to revolve.

We proceed to explain why, having reached prosperity, we are unable to keep our ground; or, in other words, why we cannot sustain prices at the taxation-level. In doing this, we shall explain the action of that disturbing power to which allusion has been made. *The power is the fixed price of gold in our currency.** It acts in the following manner:—By Act of Parliament, gold is tied down to the barter-level, represented by x, above which it can never rise; consequently, when our commodities rise to the taxation-level, represented by $x+y$, they become dearer than gold, dearer by the exact difference between the barter-level and the taxation-level. In such circumstances, the foreigner will not take our commodities in payment of his imports, but our gold; because though it is his interest to *sell* in our dear market, it is *not* his interest to *buy* in our dear market. Our legislation has

* In Tract III., page 10, proof is given that the price of gold in our currency is fixed.

offered the foreigner a premium to export our gold, and leave our goods in our warehouses. Under these circumstances, what happens? The law of 1844 having deprived the Bank of England of all discretionary power, the directors of that establishment are most rigorously compelled to withdraw their notes from circulation, pound per pound for every sovereign that is exported. This mischief is severely aggravated by panic prompting to individual hoarding of gold, which, in its commercial effects, is precisely the same as exportation. Discounts are suspended, or, if obtained, at a ruinous rate of interest. The private banks are paralysed as well as the Bank of England, since none of them dare advance their notes, even to the most solvent constituents, lest the notes should be immediately presented, and gold demanded in exchange. The banks must save themselves; but they can only do so by prostrating TRADE, and *unwillingly* driving the most prudent, upright, and established firms into the Gazette.

This interpretation of the ascending and descending scale in Mr. Loyd's "theory of trade" clearly shows that his cycles are generated by incompetent or malignant legislation; that periodical ruin is not an inevitable necessity, but the studied and wicked contrivance of parliament; while the very description that he has given of his own system, is its severest condemnation. That the system should find favour with the moneyed class, and with all who live on fixed incomes, is not surprising, considering the short-sighted selfishness of human nature. They are benefited by keeping prices down at x, or the barter-level; for then the purchasing power of money is greatest; when prices rise to the taxation-level, or $x+y$, the purchasing power of money is least; they therefore make an ally of the foreigner, and offer him a premium to knock down prices whenever they reach the taxation-level by abstracting our gold, and then the Act of 1844 compels a ruinous contraction of currency; prices recede to the barter-level, and the purchasing power of money is maximised.

The distinction pointed out between the barter-level and the taxation-level, will enable us to exhibit even more fully than we have already done, the fallacy in-

volved in the indiscriminate use of the term "cheapness." In our preceding illustration x denotes cheapness, and $x+y$ denotes dearness. Let x, expressed in figures, be 4; and y, expressed in figures, be 2; then $x+y$ must be 6. Now introduce cheapness, so that 6 is reduced to 5. But we ask is the diminution to come out of x, or out of y? If out of y, there is no possible objection to such a form of cheapness, for y represents taxation; and the fall of price would be evidence that taxation had been reduced. But if the diminution comes out of x, then there must be deduction from the wages of labour, while taxes would remain as high as ever. This form of cheapness reduces the precarious income of the working man, while it adds to the purchasing power of all who live on fixed incomes. But the real injustice to the working man is bitterly aggravated. Taxes remaining the same as they were before this second form of cheapness was introduced, he has now only three pounds to spend on his own wants, whereas before this second form of cheapness was established, he had four pounds to spend on his own wants.

Intimately connected with CURRENCY and TRADE is the repeal of the Usury Laws, the full effects of which in connexion with metallic money appear to be little understood. It therefore becomes our duty to enter upon a full investigation of this branch of our subject.

A legal rate of interest was first fixed in England in 1545, by the statute 37 Hen. VIII. It was repealed by 5 and 6 Edward VI, but restored by Elizabeth. The rate was ten per cent. for a year. It was reduced by the 21 James I. c. 17. to eight per cent. The effects of the reduction are thus described by Sir Josiah Child:—

"In 1635, within ten years after interest was brought down to eight per cent, there were more merchants to be found on 'Change with each a thousand pounds and upwards, than there were formerly, that is before 1600, to be found worth one hundred pounds each."

Cromwell reduced the rate of interest to six per cent; and though after the Restoration the money-mongers pretended that this was the act of an usurper and therefore illegal, the parliament of Charles the second re-enacted the law of the Protector. Here again we may quote

from that eminent merchant, Sir Josiah Child, who thus comments on the statute of Charles the second:—

"Now since interest has been for twenty years at six per cent, notwithstanding our long civil wars, and the great complaints of the dulness of trade, there are more men to be found on 'Change now worth ten thousand pounds, than were then of one thousand pounds. Whichever way we take our measures, to me it seems evident that since our first abatement of interest, the riches and splendour of this kingdom are increased about four (I may say above six) times as much as they were. Our Customs are much improved, I believe above the proportion of six to one, which is not so much an advance of the rate of goods, as an increase of the bulk of trade. If we look into the country we shall find lands as much improved since the abatement of interest as trade in cities. I, and those I converse with, do perfectly remember that rents did not generally rise after the late abatement of interest, viz. in the years 1651 and 1652."

At this rate of 6 per cent., interest continued till 1714, when it was reduced to 5 per cent by the 12th of Anne, at which rate it continued till the repeal of the Usury Laws.

In the session of 1831, a Committee of the House of Lords was appointed to hear evidence as to the results of that repeal. Among the witnesses was James Cook, a produce-broker in the City of London, who had been extensively engaged in business for upwards of twenty-five years. In reply to the question, "How has the change in the laws operated?" he gave the following answer:—

"My own view is that the alteration has been extremely *favourable* to the *capitalist*, but extremely *detrimental* to the *borrower;* and I therefore consider that it has operated very badly. I calculate that sugar amounting to thirteen millions sterling is sold upon credit; tea, six millions; coffee, two millions; tobacco, five millions. British and Foreign wool, fourteen millions; flax, three millions; silk, three millions; which articles I enumerate as having come more especially under my own notice, my business being to sell the greater part of such merchandize to dealers, traders, consumers, and manufacturers.

The whole of the transactions in these articles and a few others, amounting to at least one hundred millions, are represented by bills of exchange; and I reckon that the amount of the difference of interest by persons discounting those bills, in consequence of the change of the law, cannot be less than one million and a half, which sum has gone into the pockets of capitalists, and for the most part has been withdrawn from the industrious classes of the community; for there has been *no profit commensurate* with the heavy charge of interest. Therefore I believe the relaxation of the Usury Laws has acted unfavourably upon the trade of the country."

It appears from the Lords' Report on Commercial Distress (1848) that from 1704 to 16th May, 1839, the rate of interest never exceeded 5 nor was less than 4 per cent. In the pressure of 1839, the rate was raised for some months to 6 per cent; but it was reduced to 5 per cent in January 1840, and remained at 4 or 5 per cent as before, till after the passing of the Act of 1844. The system was abandoned in September 1844; and the results are thus described by Mr. Browne, M.P. for Lancashire, in his evidence. Considering that this gentleman is one of the largest and most experienced merchants in the world, his testimony is invaluable. The following table exhibits the contrast between the years prior to 1847, and during the panic of that year.

	Lowest Rate.	Highest Rate.	Difference.
1837	$3\frac{1}{4}$	$5\frac{1}{2}$	$2\frac{1}{4}$
1839	$3\frac{3}{4}$	$6\frac{1}{2}$	$2\frac{3}{4}$
1847	$3\frac{1}{4}$	10	$6\frac{3}{4}$

But Mr. Browne adds (and important indeed is the addition to those who are compelled to borrow money at usurious interest), "this does not give an accurate view of what the interest of money was in 1847, because persons frequently paid a commission which made it amount to 10, 20, and 30 per cent., depending on the time the Bill had to run, and the pressure of money at the moment."

Sir Robert Peel is a defender, nay, an admirer, of usury. The following passages are extracted from a speech he delivered on the debate on COMMERCIAL DISTRESS, 30th November, 1847:—

"Some honourable gentlemen, from whom I should have hoped better things, say that commerce cannot be conducted if we are to pay 10 per cent. for interest, and Government is blamed because people are compelled to pay 10 per cent. Why, what right has any man to pay for money more than money is worth? If money is worth 10 per cent., it will be asked, 'What law can prohibit such a rate of interest?'"

The fallacy on which this justification of usury is founded, consists in money being compared to commodities, to which it bears no resemblance whatever. That coals or iron, cotton or indigo, ought to sell for what they would fetch, is quite reasonable, because the legislature imposes no arbitrary limit on their production; their quantity is permitted to increase or diminish under the law of supply and demand, being wholly and exclusively ruled by the markets of consumption. Totally different is the case with metallic money. A law of nature, over which Parliament has no control, restricts the quantity of the raw material, gold, the yield of the mines never keeping pace with the increase of the population. Moreover, whenever gold is exported as a profitable mercantile speculation, or hoarded at home through panic, the Act of 1844, as already stated, compels the Bank of England to contract the issue of its notes. This is the reason why interest rises; this is why the trading world are compelled to pay 10 per cent., and a commission of 20 to 30 per cent.; and it is clear that they are forced to pay it, not for the fair and legitimate *use* of money, but for its *scarcity*—a scarcity created by act of Parliament for the benefit of usurers. If money were like everything else in the market, as Sir Robert Peel most falsely assumes, money would increase with the demand for it, and return to the bankers when the demand slackened; but, in violation of all sound principle and of all honesty, the Bank of England is *commanded* by the legislature to withhold the supply of money when it is most needed, and is thus made the reluctant instrument of crushing TRADE and COMMERCE. If the real workings of this most iniquitous system were understood, the destructive statutes would be instantly repealed by the indignant voice of plundered industry.

We must dwell a moment longer on this important subject. Suppose that in 1819, when the bill for returning to cash payments was enacted, Parliament had also decreed that a single gasometer should supply all England with gas; and had at that time fixed the number of cubic feet of gas to be manufactured, ordering that it never should be increased for the future. What would be the consequence in 1850? Clearly that all the streets and buildings erected since 1819 would be left without gas, or if they received a supply, then many of the streets and buildings erected prior to 1819 would be doomed to darkness. According to Sir Robert Peel, the Directors of the gasometer would be justified in saying, "Gas ought to sell for what it is worth;" for if usury on money, limited by act of Parliament, is defensible, so also would be the usury on gas, limited by act of Parliament.

In 1846, Sir Robert Peel told the landowners that the area of the British soil could no longer feed the increased and increasing population, and that, in future, foreign corn must be introduced that the supply might equal the demand. Here, therefore, he must be considered as an opponent to usury on corn. But, with a strange inconsistency, he asserts that though the gold mines have fallen off in the yield of that metal, while population and trade have increased, yet the radius of the supply of money shall never be enlarged, but actually contracted. He shudders at a famine of food; he exults at a famine of money.

Perhaps the following extracts from his speech, when introducing the Bank Charter Act in 1844, may throw some light on these contradictions; for Sir Robert Peel demonstrates that Sir Robert is grossly ignorant of that science of which his parasites proclaim him an oracle.

"I say that coin and bullion, as articles of commerce, are regulated by precisely the same principles as those which regulate other articles of commerce."

In contrast.—

"Bullion is distributed according to certain laws which we cannot understand, and which we cannot control."

In chaos.—

"Now, it is just because it (bullion) is an article of commerce, and subject to the same laws as other articles, that it becomes fit to be taken as the standard, and our security as a measure of value; because precisely the same laws which regulate the import and possession of all articles of commerce, regulate the import and possession by this country of bullion."*

The House of Commons accepted these contradictions as pure logic, and, of course, passed the Act of 1844, because, as Sir Robert Peel told them, they could not understand its principle, or control the law by which the unintelligible principle was regulated.

There is another view of TRADE and CURRENCY which demands the careful attention of the practical man of business. It is difficult to determine, on an average of years, the exact amount of gold coin in circulation. During the administration of the Earl of Liverpool, the present Earl of Ripon, then Mr. Frederick Robinson, estimated it at no more than 22½ millions. Other calculators have estimated it at 30 and 40 millions. We shall assume it at 30 millions, merely observing, that whatever the amount selected may be, it will not affect the principle now to be illustrated.

It is evident, that with gold alone this country could not carry on its commercial transactions; hence the necessity of a credit system, in the shape of promissory notes and bills of exchange, which, when trade is active, are always floating, to the extent of 250 or 300 millions sterling. Now, all these rest on a gold basis, which may be compared to an inverted pyramid. If, then, the gold basis consists of 30 millions, and the credit transactions amount to 300 millions, the foundation is to the superstructure in the ratio of one to ten, since each million of gold sustains ten millions of paper. Take away one-third of the basis, you remove one hundred millions of credit

* We have already shewn, that when bullion is coined into legal tender money, the gold does *not* resemble other articles of commerce. This is happily illustrated by Mr. James Taylor, of Bakewell. "Under Peel's law, gold does not resemble other articles of commerce in the principle which determines its exchangeable value, any more than the trump suit in the game of whist resembles the other three suits. It is well known that while the latter exchange on equal terms one with the other, the trump suit is endowed with supreme power, which makes its lowest member often possess a controlling value greater than the highest member of the other three suits. So, under Peel's Bill, gold is endowed with a like controlling power over the value of all other commodities in this country."

securities, and produce what Mr. Jones Loyd calls, "convulsion and pressure;" take away another third, and you witness what that writer calls "stagnation and distress;" take away the remaining third, and you reach the state of barter. Metallic money, therefore, at all times limits TRADE and increases PAUPERISM, and, in "established cycles," prostrates trade and provokes to REVOLUTION, which is only averted by suspending those very monetary laws which have created all the mischief.

During the war, prices rose to the taxation-level, and as taxation was increased, prices were increased; but the cycles of Mr. Jones Loyd were unknown; no disturbing power intruded itself to perpetrate periodical robbery on the industrious classes, and prevent a just scale of prices from being *permanently* maintained. At that period gold was the *servant* not the *tyrant* of labour. It was not the war, as many ignorantly imagined, that caused the universal prosperity then witnessed, but paper-money, which *permitted* prices to rise to the level which taxation had rendered necessary, and there maintained them. Of this we have evidence in Tables of Taxation, Currency, and Prices, for a term of fifty-four years, commencing in the year 1783 and ending in the year 1837, and giving the following results on eighty-eight principal articles therein enumerated. All the articles are given *free* of special duties; the rise or fall of prices, therefore, is independent of *particular* taxation, and can only be explained by the altered amount of general taxation, or by some alteration in the principle of our currency. Every article is placed in succession, according to its rise or fall, in comparison with its first price. By this arrangement, it is seen at a glance what articles have risen or declined most, compared with prices obtained before, during, and after the war. We will enumerate some of the principal, as a specimen of the whole catalogue: malt, hops, beer, wine, spirits, sugar, tea, coffee, tobacco, snuff, corn, butter, cheese, cotton, wool, silk, printed goods, hides, skins, paper, soap, candles, tallow, coals, glass, timber, bricks, etc.* The prices of the articles enumerated were in centesimal proportions, from:—

* These Tables were published in 1837, at 43 Mincing-lane, the office of the London Chamber of Commerce. It is desirable they should be continued to the present time, and through each following year.

1783 to 1790 . .	100	1811 to 1818 . .	180
1790 to 1797 . .	121	1819 to 1825 . .	126
1797 to 1804 . .	149	1826 to 1832 . .	105
1804 to 1811 . .	175	1832 to 1837 . .	105

In the interval from 1790 to 1818, the national debt and the annual taxation had been more than doubled, thus fully accounting for the rise of prices, which would indeed have gone higher, had not improvements in machinery, by facilitating the processes of labour, economised the cost of production. The rise was justly proportionate to the augmentation of fiscal burdens imposed by the government on the productive classes; and since it is admitted on all hands that indirect taxation, be it light or heavy, ought to fall on the consumer, the producers who received £180 from 1811 to 1818, were not better paid than the producers from 1783 to 1790, who only received £100. *The taxes are heavier now than they were during the war,* since the pound of the war was, about its later years, only worth from 13*s.* to 14*s.* whereas now it is worth 20*s.*; therefore the productive classes in 1850 are entitled to at least the same scale of prices as were received from 1811 to 1818. It will be seen from the TABLES, that prices began to recede from 1819, the year in which cash payments were resumed; their downward course was arrested in 1822 by Lord Castlereagh's SMALL NOTE ACT, which so checked the decline that on the average it settled down at 126 for the seven years; but in 1826, the SMALL NOTE ACT was repealed, and then prices fell to 105, above which point they have never risen, but frequently sunk below that low unremunerating level.

It is a fallacy to suppose that a heavy accumulation of gold in the cellars of the Bank of England, a low rate of interest, and millions of unemployed Bank Notes, are proofs of mercantile prosperity. When foreigners leave our gold and take payment of their imports in goods, it clearly proves that our goods are cheaper than our gold, and that the producer can not add the tax to the intrinsic value of his commodities. It is a state of low wages and low profits, inducing that kind of cheapness which is expressed by a great deal of labour for a very little money. The phenomen of money being a drug

while the people are pennyless has been admirably described by Mr. Thomas Attwood, and to those who unfortunately are unacquainted with his writings, the following statements will be as novel as they are unanswerable.

"The rise of the value of money in its *principal* is attended with a correspondent *fall* in the value of its *interest* or *use.* The money which exists in the country, instead of being scattered and diffused generally throughout the general uses of industry, is disproportionately drawn up from those uses into the money markets of London; and there it lies, *inactive*, in the hands of bankers, and brokers, and *retired* capitalists; or it is employed in jobbing and dealing in the public funds, or in *lending* upon short and undoubted securities, where few are willing to *borrow*, and still fewer are willing to *employ.* The money of the country, instead of being employed throughout the country in enabling the population to *produce* and *consume* the masses of their own, and of each others' productions, is drawn up from those great and vital operations, and is determined in *masses* into channels where its holders have not the means of employing it themselves, nor the confidence to lend it permanently to others, who, in their turn, have not the confidence necessary to induce them to give it operation. A kind of *apoplexy* is thus promoted in the circulating system; the *head* is deluged, whilst the *great limbs* and interests of the country are starving. The money market is *glutted* in the way of *temporary* and *secure* loans; whilst the markets of property and labour are everywhere deficient in that supply of money which is necessary to give 'remunerating prices,' to enable the property and labour to interchange with each other, and to discharge the debts, taxes, and obligations imposed on them.

"It may, perhaps, be asked, how is this *apoplexy* produced? and by what means is the money of the country *determined* into the money markets of London? By what means is the money *sucked up* from the employment of industry, and from working the great processes of production and consumption, in order to glut the *markets of interest*, and there to *lower the interest* of money, at the same time that the *principal of money is raised in value?* To understand this clearly, clear ideas must first

be obtained. The *principal of money* must be essentially distinguished from the *interest of money;* or, in other words, the *purchase* or *ownership* of money must be distinguished from the mere *borrowing* and *lending* of it. In one case, the *ownership* of money is transferred in exchange for property or labour. In the other case, the mere temporary *use* of money, or the mere *right of employing it for a* short period, is transferred in exchange for some given rate of interest per cent. Entirely different as these two operations are, nothing is more common than to see them confounded together in men's minds. The banker, the broker, and the jobber, speak of the *plenty of money;* and *they* mean thereby the *facility of borrowing it cheaply* upon good securities. But when the farmer, the manufacturer, and the labourer speak of the *plenty of money*, they mean thereby the facility with which their consumers pay them their debts, and with which they obtain good prices for the sale of their agricultural and manufactured produce and their labour. This kind of *plenty of money*, this facility of acquiring the *ownership* of money, *may* exist, and sometimes *does* exist, at the same time when a great *scarcity* of money is found to exist in the market where the *use of money is borrowed and lent;* and, *vice versâ*, the plenty of money in the market of interest may exist (and does now exist) at the same time that a great *scarcity of money* exists in the markets of *property and labour*, where the ownership of money is bought and sold."

The facts and reasonings contained in this Tract appear to justify the following propositions:—

1st. That money having been substituted for barter, in order to facilitate exchanges, ought to increase as exchangeable produce is increased.

2nd. That metallic money ceasing to be legal tender when it loses any portion of its prescribed weight, is not an instrument of currency, but an instrument of barter.

3rd. That the increase of gold bears no adequate proportion to the increase of commodities; and since labour ceases to produce when trade ceases to exchange, the use of gold money always restricts, and when very scarce wholly suspends the operations of industry.

4th. That whenever revenue is raised by indirect

taxation, prices ought to rise as much above the barter-level as will return to the productive classes the rate of taxes which they may have advanced to the Government in the shape of Customs and Excise; otherwise they would not obtain the ordinary rate of profit.

5th. That such a rise of prices is utterly impossible in gold money fixed in price by act of Parliament and tied down to the barter-level.

6th. That whenever, by banking accommodation, facility of discounts, an increased circulation of Bills of Exchange, and other forms of credit-currency, prices struggle upwards and reach the taxation-level, our commodities become dearer than our gold; in this case the foreigner takes away our gold in payment of what may be due to him; the Bank of England is compelled by law instantly to contract its issues; panic leads to domestic hoarding; trade is convulsed, and prices fall down to the barter-level, while taxation continues to press with undiminished force on diminished means.

7th. That Free Trade in commodities without Free Trade in money is a contradiction in terms—a system defeating itself, since it wills the end and refuses the means.

FRANCIS BENNOCH, *President.*
JONATHAN DUNCAN, *Secretary.*

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